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PCPS Reporter, Volume 5, Number 3, July 1984

American Institute of Certified Public Accountants. Private Companies Practice Section

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Activities of the Private Companies Practice Section

PCPS

July 1984 Vol. 5 No. 3

 AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Reporter

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NEW YORK, N. Y. 10036

Published by and for the Members of the Private Companies Practice Section of the AICPA Division for CPA Firms

Editor: John R. Mitchell

Joint Coordinating Committee Appointed; PR Program Is Its First Priority

Both sections' executive committees have appointed members of a Joint Coordinating Committee of the Division for CPA Firms. This committee was recommended by the Special Committee To Study the Objectives, Policies, and Procedures of the PCPS, whose report pointed to "a need for a permanent organizational structure to facilitate and encourage greater coordination between the two sections in identifying and dealing with problems common to the two sections." The SECPS Review Committee's draft report has a similar recommendation.

The JCC's first meeting is scheduled for July 7. The principal topic will probably be consideration of a proposed public relations program for the Division as a whole. The program would be implemented by Hill and Knowlton, the public relations firm that prepared the plan.

At its June meeting the PCPS Executive Committee approved the program in principle subject to modifications that might be worked out with the SECPS, and authorized funding half the cost from PCPS dues revenues. The SECPS Executive Committee is scheduled to consider the program at a special meeting July 27.

The JCC consists of the chairman and three other members of each section's executive committee, as follows:

From the PCPS Executive Committee:

W. Thomas Cooper, Jr., Potter and Company,
Louisville, KY

Ronald S. Cohen, Crowe Chizek and Company,
South Bend IN

L. Martin Miller, Cogen, Sklar, Levick & Co.,
Bala Cynwyd, PA

John T. Schiffman, Smith, Batchelder & Rugg,
Hanover, NH

From the SECPS Executive Committee:

John W. Zick, Price Waterhouse, New York, NY

John D. Abernathy III, Seidman & Seidman,
New York, NY

Robert D. Neary, Ernst & Whinney, Cleveland, OH

Donald P. Zima, May, Zima & Co., Atlanta, GA

1985 CONFERENCE DATES SET

The 1985 PCPS Conference is scheduled for May 19-21, probably in Fort Worth, Texas—"the cow town that grew up rich."

Guest Article

Accounting Associations Revisited

By Christopher W. Seidel, President
CPA Associates, Inc.

During the past two decades, articles on associations of accounting firms have appeared with increasing frequency in the professional literature. Now, more than 25 years after the founding of the first of these associations, it may be appropriate to explore their role within the profession.

Currently, there are ten full-service associations (i.e., with a headquarters and full time staff). Some were founded in the late 1950's, others in the past three or four years. There are also many associations organized less formally.

These figures suggest that associations are here to stay and that their number may even increase. Why? Let us look at what is, in my opinion, the primary reason for their establishment:

As local, independent CPA firms, each capable of rendering profitably a wide range of professional services, the members of an association can, through the organization, pool their resources to create a national presence that permits each, individually, to benefit in ways that wouldn't be possible otherwise.

Today, firms practice in an environment completely different from that found even five years ago. The proliferation of accounting and tax rules has placed an onerous burden on the practicing professional. For many, keeping up with the latest standards and requirements—let alone anticipating their potential impact on a client's situation—is an impossible task. And, with many firms now actively marketing themselves, competitive pressures have become intense. Many firms face a plethora of practice problems never dreamed of even a half-decade ago.

Now, more than ever, a local, independent CPA firm needs that extra something if it is not only to withstand these pressures but also to grow professionally and profitably. Association membership can provide that extra something by furnishing the structure and resources to satisfy the needs of those firms seeking to position themselves at the leading edge of the profession.

Through its association with a group of like-minded firms, a member can both retain its independence and, at the same time, stand its ground in its own marketplace—even against incursions by national firms with far greater resources. *The key is that firms take full advantage of the programs and services offered by the association.* Of course, they must first be prepared to contribute to the general welfare of the group.

Continued on page 3

Practice-Oriented Program Sparks PCPS Conference

Most registrants at this year's conference agreed that its biggest attraction was the carefully selected program, most of which focused on subjects that CPAs can use directly in their practices.

Audit efficiency was the first afternoon's theme. Dan M. Guy, the AICPA's vice president-auditing, set the tone in his discussion of auditing in today's competitive environment. Guy identified three effective ways to control audit costs—using microcomputers, efficient program design, and efficient sampling techniques. Immediately afterwards, breakout sessions examined each of these approaches in detail.

Tuesday morning featured Donald F. Istvan's views on practice in the 1990s. Istvan explained the significance of the two basic types of CPA services. Type 1 includes those that clients need but don't really want, while type 2 consists of services that are both needed and wanted. The latter, of course, will constitute the mainstream of tomorrow's prosperous practices.

Istvan's introduction was followed by concurrent presentations on three emerging type 2 services—personal financial planning, mini/microcomputer consulting, and using forecasted data to serve clients.

Tuesday afternoon focused on a traditional but always challenging CPA service, innovative financing of closely held businesses. Bradford W. Ketchum, *INC* magazine's senior editor, assembled and moderated a knowledgeable and stimulating panel consisting of a commercial banker, an investment banker, a venture capitalist and a CEO.

As always, the member forums were a particularly popular conference feature. These forums give registrants an opportunity to express themselves on issues that are important to the section and the profession. They are a valuable source of input to the PCPS committees, whose members serve as moderators.

Straw votes taken at the forums showed some support for voluntary confidential consulting reviews of member firms' tax or MAS practices, but indicated that most registrants' firms would not use such services. Interestingly, the groups that seemed least inclined to use them were at opposite ends of the size spectrum—firms with 1 to 4 professionals and those with 30 or more. In all the groups in between a majority of the participants showed positive interest.

In other straw votes, overwhelming majorities indicated their approval of the Peer Review Committee's policy towards problem reviews (i.e. corrective action, not punitive); and their disapproval of proposals that the AICPA recognize and accredit specialties.

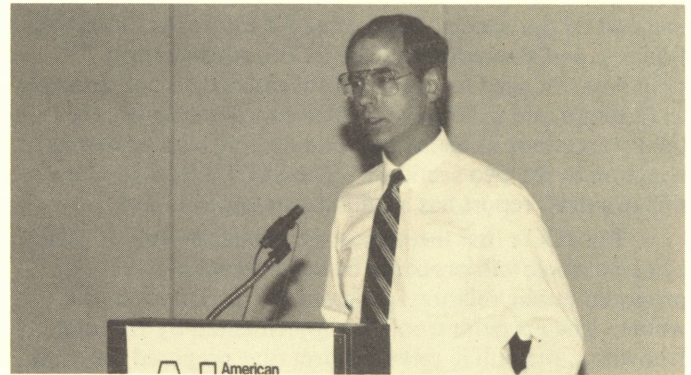
In other presentations PCPS leaders reviewed last year's accomplishments and their plans for next year, with particular emphasis on a positive public relations program. PRC members led two breakout sessions on peer review. A full day reviewers' training program was presented immediately after the conference.

A. William Hoffman of Kansas City, Missouri chaired the conference, which was held in Denver May 6-8.

For a more complete account of the proceedings see the August *Journal of Accountancy*. □



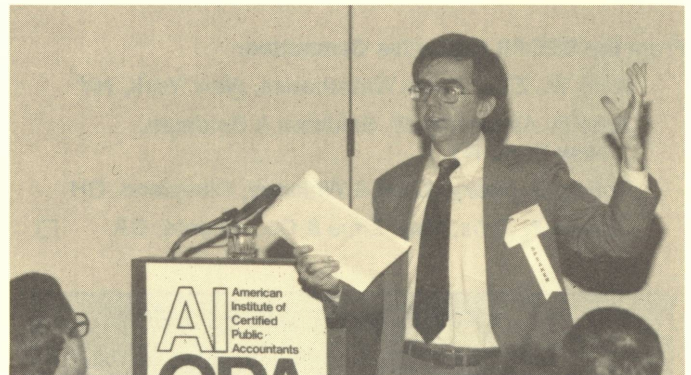
Peer Review Committee Chairman Clinton J. Romig explains how to control review costs, as Committee members Jon A. Barrows and David O. Blumhagen wait their turns.



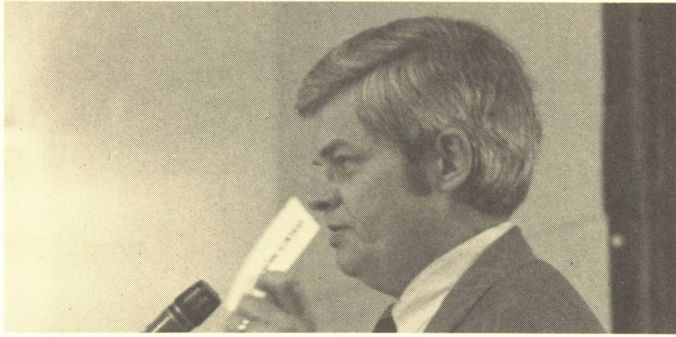
Barry R. Crawford explains how to use a micro advantageously in the field.



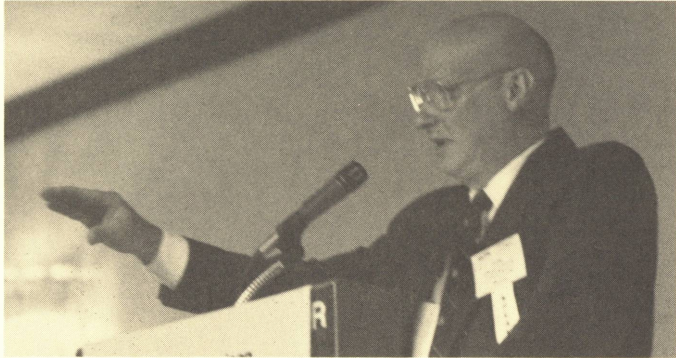
Chairman James G. Castellano reviews Technical Issues Committee's advocacy successes.



Stephen D. Holton outlines efficient sampling techniques for small business audits.



INC Magazine's Bradford W. Ketchum introduces a case study in creative financing.



Donald F. Istvan explains why growth-oriented firms stress "Type 2" services.

Associations Revisited *Continued from page 1*

Programs and services offered by the associations vary. But the opportunities afforded by membership are essentially three-fold:

- First, to participate in educational programs specifically tailored for the membership;
- Second, to obtain assistance in maintaining professional standards; and
- Third—and probably the most compelling—to take advantage of the combined resources, talent and expertise of the total membership.

These are the primary reasons, I believe, why firms seek association membership. Let's consider each in turn.

EDUCATION AND TRAINING

Education is an extremely important element of most association programs. Typically, seminars are offered in various practice areas. Speakers may be drawn from outside the association as well as from the ranks of the member firms. Association educational programs usually do not duplicate those available from the AICPA or from state societies; rather, they offer the participants an opportunity to share ideas and information and to discuss common practice problems.

Associations also offer staff training. Because of skyrocketing travel costs and the availability of local and regional programs of high quality, this has been declining in the last two or three years. With this shift, and the growth of video-taped materials, associations have been placing greater emphasis on in-house programs. Several associations have developed training modules, and some have established lending libraries of video tapes.

PROFESSIONAL STANDARDS

With respect to professional standards, most if not all full-service associations require periodic peer review as a condition of membership. (Some require membership in the American Institute's Division for CPA Firms, others do not.) Some associations also offer optional reviews of a member firm's practice management and its tax practice. Review of a firm's management advisory services likely will be a future membership benefit for some.

To further assist members, several groups employ a technical director who is available for consultation on accounting and auditing matters.

SHARED RESOURCES

While these educational and technical services are obviously important to members, it is in the sharing of information and resources that the benefits of membership are appreciated most:

- A member experiences a problem with a new software package. It calls association headquarters inquiring of other firms having the same program. Within 30 minutes, headquarters advises the member of four other firms also using the package and the names of individuals to contact for help.
- A member develops a comprehensive personal financial planning engagement manual, together with related software, which provides everything needed for a client seminar. It distributes the materials to its fellow members at no cost.
- A member requests information on methods of calculation of bonus pools and of allocations to employees. Headquarters distributes a memorandum to the member firms, which respond directly to the inquiring firm.

Sharing, then, is the essence of association membership. The more diverse an association's membership, and the more willing its members are to share their ideas, resources and problems, the more successful the association will be.

With the advent of electronic communications, there are tremendous opportunities for improving this prime membership benefit. Electronic mail and teleconferencing allow instantaneous communication and are currently being explored and tested by more than one association. The day when all members are linked to a communications system enabling them to send and receive messages instantly 24 hours a day is fast approaching. By facilitating further sharing, technology can help to strengthen the bonds of membership and satisfy individual members' needs even more.

While organization and structure provide the framework within which associations operate, it is the interplay of people which really makes them work. Given a friendly, relaxed atmosphere with a real commitment to candor and cooperation, things can happen—and do. Statistics become meaningful not only because *what* happened is known, but because the *why* is, too. Through frank discussions of individual successes and failures, member firms are better able to chart their future with greater expectations of success. □

Editor's Note. The May 1982 *Practicing CPA* profiles ten "full-service" associations of CPA firms.

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